

Emerald Coast Association of Realtors, Inc.

Financial Statements

December 31, 2014



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Emerald Coast Association of Realtors, Inc.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Emerald Coast Association of Realtors, Inc.
Fort Walton Beach, Florida

We have audited the accompanying financial statements of Emerald Coast Association of Realtors, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Emerald Coast Association of Realtors, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Emerald Coast Association of Realtors, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated August 20, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Other Expenses on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Miramar Beach, Florida

October 8, 2015

Emerald Coast Association of Realtors, Inc.
Statement of Financial Position

<i>December 31,</i>	2014	2013
		(For Comparative Purposes)
Assets		
Cash and cash equivalents	\$ 1,181,019	\$ 1,097,767
Investments	1,246,490	985,772
Accounts receivable, net	339,176	280,847
Inventory	6,712	8,233
Prepaid expenses	10,573	20,027
Property and equipment, net	1,543,212	1,609,269
Other assets	1,087	645
Total assets	\$ 4,328,269	\$ 4,002,560
Liabilities		
Accounts payable	\$ 120,815	\$ 89,631
Accrued liabilities	16,294	9,502
Other liabilities	269,567	230,531
Deferred revenue	651,410	625,429
Total liabilities	1,058,086	955,093
Net assets:		
Unrestricted	3,268,288	3,046,087
Temporarily restricted	1,895	1,380
Total net assets	3,270,183	3,047,467
Total liabilities and net assets	\$ 4,328,269	\$ 4,002,560

The accompanying notes are an integral part of these financial statements.

Emerald Coast Association of Realtors, Inc.
Statement of Activities

<i>Year ended December 31,</i>	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total (for Comparative Purposes)
Support and revenue:				
Member dues	\$ 840,088	\$ -	\$ 840,088	\$ 775,231
Less: membership renewal discounts	(38,760)	-	(38,760)	(36,940)
Member dues, net	801,328	-	801,328	738,291
Member service fees	971,485	-	971,485	911,095
Less: waived member service fees	(85,470)	-	(85,470)	-
Member service fees, net	886,015	-	886,015	911,095
Committees	77,592	13,555	91,147	99,917
Merchandise sales	119,035	-	119,035	99,735
Gain on investments	19,313	-	19,313	-
Other income	56,643	-	56,643	63,630
Information systems	18,286	-	18,286	15,625
Interest	32,966	-	32,966	19,991
	2,011,178	13,555	2,024,733	1,948,284
Net assets released from restrictions	13,040	(13,040)	-	-
Total support and revenue	2,024,218	515	2,024,733	1,948,284
Expenses:				
Salaries, wages and related costs	722,795	-	722,795	637,590
Multiple listing service (MLS) expense	236,783	-	236,783	273,407
Cost of merchandise sold	45,903	-	45,903	63,538
Committees	171,055	-	171,055	129,553
Utilities	43,553	-	43,553	37,555
Travel	104,047	-	104,047	100,996
Insurance	24,938	-	24,938	23,984
Repairs and maintenance	51,649	-	51,649	48,736
Office supplies and expense	77,367	-	77,367	73,435
Professional development	55,532	-	55,532	81,211
Loss on investments	-	-	-	26,835
Loss on disposal of fixed assets	998	-	998	18,260
Other expenses	202,338	-	202,338	149,303
Depreciation expense	65,059	-	65,059	67,685
Total expenses	1,802,017	-	1,802,017	1,732,088
Change in net assets	222,201	515	222,716	216,196
Net assets - beginning of year	3,046,087	1,380	3,047,467	2,831,271
Net assets - end of year	\$ 3,268,288	\$ 1,895	\$ 3,270,183	\$ 3,047,467

The accompanying notes are an integral part of these financial statements.

Emerald Coast Association of Realtors, Inc.
Statement of Cash Flows

<i>Year ended December 31,</i>	2014	2013
		(For Comparative Purposes)
Operating activities		
Change in net assets	\$ 222,716	\$ 216,196
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	65,059	67,685
(Gain) loss on investments	(19,313)	26,835
Loss on disposal of fixed assets	998	16,954
Change in operating assets and liabilities:		
Accounts receivable	(58,329)	98,666
Inventory	1,521	27,556
Prepaid expenses	9,454	13,020
Other assets	(442)	4,185
Accounts payable	31,184	(33,414)
Accrued liabilities	6,792	1,309
Other liabilities	39,036	(21,645)
Deferred revenue	25,981	20,428
Net cash provided by operating activities	324,657	437,775
Investing activities		
Purchase of investments	(241,405)	(273,354)
Proceeds from sale or maturity of investments	-	28,203
Purchase of property and equipment	-	(28,317)
Proceeds from fixed asset disposal	-	275
Net cash (used) by investing activities	(241,405)	(273,193)
Net increase in cash and cash equivalents	83,252	164,582
Cash and cash equivalents at beginning of year	1,097,767	933,185
Cash and cash equivalents at end of year	\$ 1,181,019	\$ 1,097,767

The accompanying notes are an integral part of these financial statements.

Emerald Coast Association of Realtors, Inc. Notes to Financial Statements

NOTE 1: NATURE OF ORGANIZATION

The Emerald Coast Association of Realtors, Inc. ("ECAR") is a not-for-profit corporation organized under the laws of the State of Florida on October 22, 1964. Its mission is to unify those engaged in the recognized branches of the real estate business for the purpose of exerting a beneficial influence upon matters affecting the real estate business, and to unite those engaged in the real estate business with the Florida Association of Realtors and the National Association of Realtors. The purpose is accomplished through the establishment of a uniform code of ethics, annual meetings, continuing professional education, and publications provided to disseminate information to the profession and the public. ECAR services a geographical area encompassing all of Okaloosa and Walton counties, Florida.

ECAR is a not-for-profit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. Under these provisions, no tax is paid on income received from its members. Accordingly, no provision for income taxes is provided in the accompanying financial statements. ECAR annually files Form 990 as required for not-for-profit organizations. These returns are subject to examination by the applicable taxing authorities for the last three preceding years.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting. ECAR reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Currently, ECAR has no permanently restricted net assets. The financial statements include certain prior year summarized comparative information in total but not by class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ECAR's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the statement of cash flows, ECAR considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments are recorded in the statement of financial position at fair value at December 31, 2014. The Association elected to account for unrealized gains and losses in its investment securities by including those unrealized gains and losses in operations each year and reflecting the changes in the statement of activities.

Emerald Coast Association of Realtors, Inc.
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Member dues are billed annually and are deferred and recognized over the period to which the dues relate.

Member service revenue primarily relates to member usage of the Multiple Listing Service (MLS). Members are billed a flat rate per month for this service. Revenues are recognized when billed.

Committees revenue includes fees for continuing professional education courses and are included in revenue when payment is received.

Merchandise sales consist of sales aids, maps and other tools of the real estate profession. Merchandise sale revenue is recognized as income when it is billed to the member.

Accounts Receivable

Except for committee services, accounts receivable are recorded for all current services provided by ECAR. Dues are billed in advance in September for the upcoming year and are recorded as deferred revenue net of a renewal discount. As required, management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual accounts. At December 31, 2014, the estimated amount of uncollectible accounts was not significant.

Inventory

Inventory consists primarily of signs and lockboxes and is stated at the lower of cost or market determined by the first-in, first-out method.

Restricted and Unrestricted Revenue

Revenues received from members that are restricted by the member are reported as increases in temporarily restricted net assets. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. All other member revenues are reported as increases in unrestricted net assets.

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Emerald Coast Association of Realtors, Inc.
Notes to Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

Advertising costs are expensed as incurred. Advertising expense for 2014 and 2013 totaled \$41,137 and \$33,700, respectively.

Property and Equipment

Property and equipment acquired by the Association is capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Parking lot	15 years
Furniture and equipment	3 to 7 years

Additions and betterments of \$5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Reclassifications

Certain items in the for the prior year have been reclassified in the Statement of Activities in order to conform with the current year presentation.

Date of Management's Review

In preparing the financial statements, ECAR has evaluated subsequent events and transactions for potential recognition or disclosure through October 8, 2015, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

Investments consist of the following:

<i>December 31,</i>	2014	2013
Annuity contracts	\$ 74,253	\$ 72,090
Certificates of deposit	200,000	-
Corporate bonds	205,089	43,469
Equity securities	335,517	106,100
Government and agency securities	294,888	542,340
Mutual funds	136,743	221,773
Total	\$ 1,246,490	\$ 985,772

Emerald Coast Association of Realtors, Inc.
Notes to Financial Statements

NOTE 3 – INVESTMENTS (Continued)

The annuity contract is considered a cash investment and the cost basis of this investment approximates fair value. The annuity contract is scheduled to mature on July 21, 2052 and has a stated interest rate of 3%. At December 31, 2014 this contract had a fair value of \$74,253. Any withdrawal on this contract in excess of 10% of the fair value prior to maturity is subject to a surrender charge.

The certificate of deposit is considered a cash investment and the cost basis of this investment approximates fair value. The certificate matured on February 6, 2015 and had a stated interest rate of 1%.

The investments in corporate bonds, equity securities, government and agency securities, and mutual funds are all valued through the use of quoted market prices for identical securities. This method is considered the highest level (Level 1) of valuation under U.S. generally accepted accounting principles.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

<i>December 31,</i>	2014	2013
Land	\$ 257,928	\$ 257,928
Buildings	1,674,042	1,674,042
Furniture and equipment	705,990	714,758
Parking lot	31,303	31,303
Signs	28,836	28,836
 Total	 2,698,099	 2,706,867
 Less: accumulated depreciation	 (1,154,887)	 (1,097,598)
 Property and equipment, net	 \$ 1,543,212	 \$ 1,609,269

NOTE 5 – CONCENTRATION OF CASH CREDIT RISK

ECAR maintains its cash accounts at federally insured financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per financial institution. Balances at one financial institution exceeded the FDIC insurance coverage by approximately \$400,000 at December 31, 2014.

Emerald Coast Association of Realtors, Inc.
Notes to Financial Statements

NOTE 6 – OTHER LIABILITIES

State and national realtor association dues are billed in advance with the member’s local dues billing. Dues are billed in September each year for the following calendar year and are due by January 10. Dues collected prior to December 31 for other organizations are not included in revenues but are included as other liabilities as follows:

<i>December 31,</i>	2014	2013
State and national association dues	\$ 209,044	\$ 174,387
MLS deposits	53,996	50,846
Florida Association of Realtor advocacy fees	6,230	4,930
Miscellaneous liabilities	297	368
Total	\$ 269,567	\$ 230,531

NOTE 7 – RETIREMENT PLAN

ECAR supports a 408(p) Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) that covers all employees of ECAR. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Participants may contribute a percentage of their annual compensation to the plan not to exceed the limits allowable by the Internal Revenue Service. ECAR makes contributions to the plan on behalf of the participant equal to 100% of the participant’s contribution, limited to 3% of the participant’s annual compensation. Matching contributions to the plan during 2014 and 2013 reflected in the accompanying Statement of Activities totaled \$11,554 and \$9,506, respectively.

NOTE 8 – COMMITMENTS

During 2011, ECAR entered into a five year agreement with a company to provide ECAR users with tax assessor data, sales data, trust data and maps for Santa Rosa, Bay, Okaloosa and Walton counties. For this service, ECAR is required to pay \$2.60 per member per month along with a \$2,500 one-time non-refundable set up fee. Unless renewed, this contract will expire in April 2016.

ECAR is under a three year contract with a company to provide an internet-accessible MLS program which allows members to enter, search and retrieve data related to real estate sales listings. For this service, ECAR is required to pay \$7 per member per month. Unless renewed, this contract will expire in March 2017.



Supplementary Information

Emerald Coast Association of Realtors, Inc.
Schedule of Other Expenses

<i>Year ended December 31,</i>	2014	2013
		(For Comparative Purposes)
Accounting	\$ 10,000	\$ 10,300
Credit card merchant fees	28,529	27,201
Internet	10,213	14,069
Legal	5,701	4,437
Miscellaneous expenses	16,395	2,855
Network consulting	6,110	10,855
Other organization dues	7,219	2,943
Property taxes	18,056	17,633
Relator association influence support	19,284	10,629
Restrictions satisfied	13,040	3,322
Software maintenance fees	40,377	39,036
Software purchase/licensing	21,487	4,582
Staff training	5,927	1,441
Total	\$ 202,338	\$ 149,303